SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-57632; File No. SR-ISE-2008-29)

April 8, 2008

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing of Proposed Rule Change Relating to the Price Improvement Mechanism

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on March 20, 2008, the International Securities Exchange, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the ISE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The ISE is proposing to allow members to enter orders into the Price Improvement Mechanism ("PIM") at a price that matches the national best bid or offer ("NBBO") when the ISE market is inferior to the NBBO. The text of the proposed rule change is available on the ISE's Web site (http://www.iseoptions.com), at the principal office of the ISE, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the ISE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

below. The ISE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Several options exchanges have adopted a fee structure in which firms receive a rebate for the execution of orders resting on the limit order book (i.e., posting liquidity) and pay a fee for the execution of orders that trade against liquidity resting on the limit order book (i.e., taking liquidity). The taker fees currently range up to $0.50 per contract, and this fee is charged without consideration of the client category, thus applying to the execution of public customer orders. In contrast, ISE does not charge a fee for the execution of public customer orders.

The effective price paid by a customer who is purchasing an option can be considerably higher on an exchange that charges a taker fee. For example, a customer that enters a marketable limit order to buy 10 contracts for $0.10 will pay $100 on the ISE, whereas the cost of the same transaction will be $105 if executed on an exchange with a $.50 taker fee. This represents an effective 5% increase for the customer. Because public customer orders cannot be executed at prices that are inferior to the NBBO, members are effectively forced to pay taker fees when an exchange with a taker fee structure is at the NBBO. This is because they either route their public customer orders directly to such exchange or the taker fee is passed through when another exchange accesses the NBBO on behalf of their customer through linkage.

In order to provide broker-dealers with an alternative method of achieving an execution at the NBBO for their customers without having to pay taker fees, the Exchange proposes to